

CITY OF REINBECK

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2010

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City of Reinbeck

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lon Larsen	Mayor	December 2011
Jamie Eiffler	Mayor Pro-Tem	December 2013
Tim Johnson	Council Member	December 2013
Jack Boyer	Council Member	December 2011
Shawn Murphy	Council Member	December 2011
Glenda Billerbeck	Council Member	**
Quentin Mayberry	City Administrator	Indefinite
Tracy Lovetinsky	Attorney	December 2010

** Appointed term expires after election certified in November 2011.

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Reinbeck's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.


As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated April 25, 2011 on my consideration of the City of Reinbeck's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 22 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reinbeck's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the years ended June 30, 2007 and June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Keith Oltrogge
Certified Public Accountant

April 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Reinbeck provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 1.1% or approximately \$16,700 from fiscal 2009 to fiscal 2010. Property tax decreased approximately \$27,900 from fiscal 2009 to fiscal 2010.
- Disbursements of the City's governmental activities increased 0.8%, or approximately \$15,500, in fiscal 2010 from fiscal 2009.
- The City's total cash basis net assets decreased 1.3%, or approximately \$9,200 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$48,000 and the assets of the business type activities decreased by approximately \$57,200.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and telecommunication utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, sewer and telecommunication funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$402,043 to \$450,056. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities Year Ended June 30, 2010	
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 214,827
Operating grants, contributions and restricted interest	218,829
Capital grants, contributions and restricted interest	-
General receipts:	
Property tax	591,446
Tax increment financing	348,858
Unrestricted investment earnings	5,744
Other general receipts	133,362
Total receipts	<u>\$ 1,513,066</u>
Disbursements:	
Public safety	\$ 147,810
Public works	455,224
Health and social services	374
Culture and recreation	301,142
Community and economic development	57,173
General government	88,710
Debt service	526,130
Capital projects	301,866
Total disbursements	<u>\$ 1,878,428</u>
Change in cash basis net assets before loan proceeds	\$ -365,362
Loan proceeds	<u>413,375</u>
Increase in cash basis net assets	\$ 48,013
Cash basis net assets beginning of year	<u>402,043</u>
Cash basis net assets end of year	<u>\$ 450,056</u>

The City's total receipts for governmental activities decreased by 1.1%, or \$16,700. The total cost of all programs and services increased approximately \$15,500, or 0.8% with no new programs added this year. The decrease in receipts was primarily the result of a decrease in operating grants and restricted interest.

The cost of all governmental activities this year was \$1,878,428 compared to \$1,862,922 last year. However, as shown in the Statement of Activities and Net Assets on Page 10, the amount taxpayers ultimately financed for these activities was only \$1,444,772 because some of the cost was paid by those who directly benefited from these programs (\$214,827) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$218,829). Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2010 from approximately \$16,700 to approximately \$1,513,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,079,410 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
Year Ended June 30, 2010

Receipts:		
Program receipts:		
Charges for service:		
Water	\$	145,661
Sewer		423,196
Cable TV		253,876
Internet		120,251
Telephone		297,962
Sewer plant		24,734
General receipts:		
Unrestricted interest on investments		10
Miscellaneous		20,366
Total receipts	\$	<u>1,286,056</u>
Disbursements:		
Water	\$	196,151
Sewer		519,341
Cable TV		292,672
Internet		80,837
Telephone		340,266
Sewer plant		589
Total disbursements	\$	<u>1,429,856</u>
Change in cash basis net assets before loan proceeds	\$	-143,800
Loan proceeds		<u>86,625</u>
Decrease in cash balance	\$	-57,175
Cash basis net assets beginning of year		<u>295,261</u>
Cash basis net assets end of year	\$	<u>238,086</u>

Total business type activities receipts for the fiscal year were \$1,286,056 compared to \$1,242,635 last year. This increase was due primarily to increased receipts in charges for service. The cash balance decreased by approximately \$57,200 from the prior year. Total disbursements for the fiscal year increased by 7.9%, approximately \$105,200.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Reinbeck completed the year, its governmental funds reported a combined fund balance of \$450,056, an increase of more than \$48,013 above last year's total of \$402,043. The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$39,629 from the prior year to \$233,594. This decrease was due to expenditures exceeding revenues.
- The Special Revenue, Road Use Tax Fund cash balance decreased from \$43,372 to \$7,311 during the fiscal year. This decrease was attributable to the purchase of a tractor for \$53,295.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased from \$81,324 to \$103,216 during the fiscal year.
- The Special Revenue, Employee Benefits Fund cash balance increased from \$40,016 to \$46,241 during the fiscal year.

- The Debt Service Fund cash balance decreased by \$1,322 to \$2,415 during the fiscal year.
- The Capital Projects, Pool balance increased by \$80,608 from \$0 to \$80,608. The increase was due to contribution.
- The Capital Projects, Daycare balance increased by \$7,137 from \$0 to \$7,137. The increase was due to loan proceeds unused at June 30, 2010.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$48,593 to \$133,996 due to service costs.
- The Sewer Fund cash balance decreased by \$1,041 to \$29,882.
- The Cable TV Fund cash balance decreased by \$38,796 to -\$60,462 due to not enough revenues to cover debt payment over service costs.
- The Internet Fund cash balance increased by \$39,414 to \$124,828, due to an increase in receipts of charges for service.
- The Telephone Fund cash balance decreased by \$32,304 to -\$20,252, due to not enough revenue to cover debt payment over service costs.
- The Sewer Plant Fund cash balance increased by \$24,145 to \$30,094

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2010 and resulted in an increase in miscellaneous revenue of \$500,000 and expenditure increases in Public Works, Culture and Recreation, Community and Economic Development, General Government and Business Type/Enterprises. With the increase in revenue, the City had sufficient cash balances to absorb these additional costs:

- The City's receipts were \$487,466 less than budgeted. This was primarily due to the City receiving less for miscellaneous income than anticipated.
- Even with the budget amendments, total disbursements were \$9,352 more than the amended budget.
- The City exceeded the amended amounts budgeted in the culture and recreation, debt service, and capital projects.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$4,657,359 in bonds and other long-term debt, compared to \$5,190,705 in 2009, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)			
		June 30,	
		2010	2009
General obligation notes	\$	1,145	\$ 1,225
Revenue notes		3,512	3,966
Total	\$	4,657	\$ 5,191

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and urban renewal tax increment revenue loan of \$1,284,359 is significantly below its constitutional debt limit of \$4,154,029.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Reinbeck's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Quentin Mayberry, City Administrator, 414 Main Street, Reinbeck IA 50669.

Basic Financial Statements

City of Reinbeck

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 147,810	\$ 8,814	\$ 10,914	\$ -
Public works	455,224	108,774	154,778	-
Health and social services	374	-	-	-
Culture and recreation	301,141	97,239	45,489	-
Community and economic development	57,173	-	7,648	-
General government	88,710	-	-	-
Debt service	526,130	-	-	-
Capital projects	301,866	-	-	-
Total governmental activities	\$ 1,878,428	\$ 214,827	\$ 218,829	\$ -
Business type activities:				
Water	\$ 196,151	\$ 145,661	\$ -	\$ -
Sewer	519,341	423,196	-	-
Cable TV	292,672	253,876	-	-
Internet	80,837	120,251	-	-
Telephone	340,266	297,962	-	-
Sewer plant	589	24,734	-	-
Total business type activities	\$ 1,429,856	\$ 1,265,680	\$ -	\$ -
Total	\$ 3,308,284	\$ 1,480,507	\$ 218,829	\$ -
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Unrestricted interest on investments				
Miscellaneous				
Loan proceeds				
Total general receipts and loan proceeds				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities		Business Type Activities		Total
\$	-128,082	\$	-	\$ -128,082
	-191,672		-	-191,672
	-374		-	-374
	-158,413		-	-158,413
	-49,525		-	-49,525
	-88,710		-	-88,710
	-526,130		-	-526,130
	-301,866		-	-301,866
\$	-1,444,772	\$	-	\$ -1,444,772
\$	-	\$	-50,490	\$ -50,490
	-		-96,145	-96,145
	-		-38,796	-38,796
	-		39,414	39,414
	-		-42,304	-42,304
	-		24,145	24,145
\$	-	\$	-164,176	\$ -164,176
\$	-1,444,772	\$	-164,176	\$ -1,608,948
\$	362,626	\$	-	\$ 362,626
	348,858		-	348,858
	228,820		-	228,820
	5,744		10	5,754
	133,362		20,366	153,728
	413,375		86,625	500,000
\$	1,492,785	\$	107,001	\$ 1,599,786
\$	48,013	\$	-57,175	\$ -9,162
	402,043		295,261	697,304
\$	450,056	\$	238,086	\$ 688,142
\$	2,415	\$	-	\$ 2,415
	167,145		-	167,145
	280,496		238,086	518,582
\$	450,056	\$	238,086	\$ 688,142

City of Reinbeck

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Urban	Employee Benefits
			Renewal Tax Increment	
Receipts:				
Property tax	\$ 314,904	\$ -	\$ -	\$ 41,250
Tax increment financing collections	-	-	348,858	-
Other city tax	6,370	-	-	-
Licenses and permits	5,861	-	-	-
Use of money and property	19,037	-	-	-
Intergovernmental	56,403	154,778	-	-
Charges for service	113,259	-	-	-
Special assessments	-	-	-	-
Miscellaneous	124,752	-	-	-
Total receipts	\$ 640,586	\$ 154,778	\$ 348,858	\$ 41,250
Disbursements:				
Operating:				
Public safety	\$ 145,511	\$ -	\$ -	\$ 2,299
Public works	148,690	292,961	-	13,573
Health and social services	374	-	-	-
Culture and recreation	283,570	-	-	17,571
Community and economic development	14,730	-	42,231	212
General government	87,340	-	-	1,370
Debt service	-	-	208,067	-
Capital projects	-	-	-	-
Total disbursements	\$ 680,215	\$ 292,961	\$ 250,298	\$ 35,025
Excess (deficiency) of receipts over (under) disbursements	\$ -39,629	\$ -138,183	\$ 98,560	\$ 6,225
Other financing sources (uses):				
Loan proceeds net	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	113,375	-	-
Operating transfers out	-	-11,253	-76,668	-
Total other financing sources (uses)	\$ -	\$ 102,122	\$ -76,668	\$ -
Net change in cash balances	\$ -39,629	\$ -36,061	\$ 21,892	\$ 6,225
Cash balances beginning of year	233,594	43,372	81,324	40,016
Cash balances end of year	\$ 193,965	\$ 7,311	\$ 103,216	\$ 46,241
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	193,965	-	-	-
Special revenue funds	-	7,311	103,216	46,241
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 193,965	\$ 7,311	\$ 103,216	\$ 46,241

See notes to financial statements.

Debt Service	Capital Projects		Other Non-Major Governmental Funds	Total
	Pool	Daycare		
\$ 228,820	\$ -	\$ -	\$ 102	\$ 585,076
-	-	-	-	348,858
-	-	-	-	6,370
-	-	-	-	5,861
-	-	-	-	19,037
-	-	-	7,648	218,829
-	-	-	-	113,259
-	-	-	2,627	2,627
-	83,472	-	4,925	213,149
\$ 228,820	\$ 83,472	\$ -	\$ 15,302	\$ 1,513,066
\$ -	\$ -	\$ -	\$ -	147,810
-	-	-	-	455,224
-	-	-	-	374
-	-	-	-	301,141
-	-	-	-	57,173
-	-	-	-	88,710
318,063	-	-	-	526,130
-	2,864	292,863	6,139	301,866
\$ 318,063	\$ 2,864	\$ 292,863	\$ 6,139	\$ 1,878,428
\$ -89,243	\$ 80,608	\$ -292,863	\$ 9,163	\$ -365,362
\$ -	\$ -	\$ 300,000	\$ 113,375	\$ 413,375
87,921	-	-	-	201,296
-	-	-	-113,375	-201,296
\$ 87,921	\$ -	\$ 300,000	\$ -	\$ 413,375
\$ -1,322	\$ 80,608	\$ 7,137	9,163	48,013
3,737	-	-	-	402,043
\$ 2,415	\$ 80,608	\$ 7,137	\$ 9,163	\$ 450,056
\$ 2,415	\$ -	\$ -	\$ -	2,415
-	-	-	-	193,965
-	-	-	10,377	167,145
-	80,608	7,137	-1,214	86,531
\$ 2,415	\$ 80,608	\$ 7,137	\$ 9,163	\$ 450,056

City of Reinbeck

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2010**

Total governmental funds cash balances (page 11)	\$ 450,056
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Cash basis net assets of governmental activities (page 10)	\$ 450,056
Net change in cash balances (page 11)	\$ 48,013
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Change in cash balance of governmental activities (page 10)	\$ 48,013

City of Reinbeck

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2010

	Enterprise Funds	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 133,214	\$ 411,607
Miscellaneous	12,447	11,589
Total operating receipts	<u>\$ 145,661</u>	<u>\$ 423,196</u>
Operating disbursements:		
Business type activities	\$ 196,151	\$ 320,131
Total operating disbursements	<u>\$ 196,151</u>	<u>\$ 320,131</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ -50,490</u>	<u>\$ 103,065</u>
Non-operating receipts (disbursements):		
Interest on investments	\$ -	\$ 10
Miscellaneous	1,897	8,469
Debt service	-	-199,210
Total non-operating receipts (disbursements)	<u>\$ 1,897</u>	<u>\$ -190,731</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -48,593</u>	<u>\$ -87,666</u>
Loan proceeds	-	86,625
Net change in cash balances	<u>\$ -48,593</u>	<u>\$ -1,041</u>
Cash balances beginning of year	182,589	30,923
Cash balances end of year	<u>\$ 133,996</u>	<u>\$ 29,882</u>
Cash Basis Fund Balances		
Unreserved	<u>\$ 133,996</u>	<u>\$ 29,882</u>
Total cash basis fund balances	<u>\$ 133,996</u>	<u>\$ 29,882</u>

See notes to financial statements.

Enterprise Funds									
Cable TV		Internet		Telephone	Sewer Plant	Total			
\$	232,056	\$	120,233	\$	284,586	\$	24,286	\$	1,205,892
	21,820		18		13,376		448		59,698
\$	253,876	\$	120,251	\$	297,962	\$	24,734	\$	1,265,680
\$	235,133	\$	61,657	\$	225,187	\$	589	\$	1,038,848
\$	235,133	\$	61,657	\$	225,187	\$	589	\$	1,038,848
\$	18,743	\$	58,594	\$	72,775	\$	24,145	\$	226,832
\$	-	\$	-	\$	-	\$	-	\$	10
	-		-		10,000		-		20,366
	-57,539		-19,180		-115,079		-		-391,008
\$	-57,539	\$	-19,180	\$	-105,079	\$	-	\$	-370,632
\$	-38,796	\$	39,414	\$	-32,304	\$	24,145	\$	-143,800
	-		-		-		-		86,625
\$	-38,796	\$	39,414	\$	-32,304	\$	24,145	\$	-57,175
	-21,666		85,414		12,052		5,949		295,261
\$	-60,462	\$	124,828	\$	-20,252	\$	30,094	\$	238,086
\$	-60,462	\$	124,828	\$	-20,252	\$	30,094	\$	238,086
\$	-60,462	\$	124,828	\$	-20,252	\$	30,094	\$	238,086

City of Reinbeck

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2010**

Total enterprise funds cash balances (page 13)	\$ 238,086
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Cash basis net assets of business type activities (page10)	\$ 238,086
Net change in cash balances (page 13)	\$ -57,175
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Change in cash balance of business type activities (page 10)	\$ -57,175

City of Reinbeck

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Reinbeck is a political subdivision of the State of Iowa located in Grundy County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, solid waste, cable TV, internet, telephone and sewer plant utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Reinbeck has included all funds, organizations, agencies, board, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Reinbeck (the primary government) and the Reinbeck Fire Department (component unit). This component unit discussed below is included in the City's reporting entity because of the significance of the operational or financial relationships with the City.

Fire Department

The Reinbeck Fire Department is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City. The Reinbeck Fire Department has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety, and to answer all emergency calls for which there is no other established agency. Although the Reinbeck Fire Department is legally separate from the City, its purpose is to benefit the City of Reinbeck (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Assessor's Conference Board, City Assessor's Conference Board, County Emergency Management Commission, County Landfill Commission and County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets result are subject to externally imposed stipulations which require them to be maintained permanently by the City, including City's Permanent Fund.

Expendable restricted assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Employee Benefits Fund is used to account for employee benefits financed by property taxes assessed for employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Cable TV Fund accounts for the operation and maintenance of the City's cable system.

The Internet Fund accounts for the operation and maintenance of the City's internet system.

The Telephone Fund accounts for the operation and maintenance of the City's telephone system.

The Sewer Plant Fund accounts for the operation and maintenance of the City's waste plant system.

C. Measurement Focus and Basis of Accounting

The City of Reinbeck maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the culture and recreation, debt service and capital project functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – GENERAL OBLIGATION CAPITAL LOAN AND REVENUE LOAN NOTES

Annual debt service requirements to maturity for general obligation capital loan notes and revenue loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$420,000	\$46,475	\$412,359	\$126,016	\$832,359	\$172,491
2012	295,000	29,205	282,000	110,790	577,000	139,995
2013	305,000	17,450	296,000	99,330	601,000	116,780
2014	125,000	5,125	310,000	87,170	435,000	92,295
2015	-	-	324,000	74,300	324,000	74,300
2016	-	-	334,000	60,710	334,000	60,710
2017	-	-	153,000	46,620	153,000	46,620
2018	-	-	158,000	42,030	158,000	42,030
2019	-	-	162,000	37,290	162,000	37,290
2020	-	-	167,000	32,430	167,000	32,430
2021	-	-	172,000	27,420	172,000	27,420
2022	-	-	177,000	22,260	177,000	22,260
2023	-	-	183,000	16,950	183,000	16,950
2024	-	-	188,000	11,460	188,000	11,460
2025	-	-	194,000	5,820	194,000	5,820
	\$1,145,000	\$98,255	\$3,512,359	\$800,596	\$4,657,359	\$898,851

The Code of Iowa requires that principal and interest on general obligation capital loan notes be paid from the Debt Service Fund.

The resolution providing for the issuance of the general obligation capital loan notes for the January 23, 2003 – Essential Corporate Purpose and the May 1, 2001 – Telecommunications System loans includes the following provision:

- a) The loan will be redeemed by a levy of annual tax on all the taxable property in Reinbeck, Iowa.

The resolution providing for the issuance of the September 13, 2004 Sewer Revenue Note includes the following provision:

- a) A Sewer Revenue Bond Sinking Fund shall be created. The Sewer Revenue Bond Sinking Fund shall be used solely for the purpose of paying principal and interest on the note.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010, was \$21,172, equal to the required contributions for the year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 5 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City are \$629.82. For the year ended June 30, 2010, the City contributed \$39,756 to the plan.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,357
Sick leave	30,250
Total	<u>\$ 42,607</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

NOTE 7 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Road Use Tax	Capital Projects Vehicles	\$ 113,375
Debt Service	Special Revenue: Road Use Tax	11,253
Debt Service	Special Revenue: Urban Renewal Tax Increment	76,668
		<u>\$ 201,296</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8 – RISK MANAGEMENT

The City of Reinbeck is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – DEFICIT FUND BALANCE

At June 30, 2010, the Capital Project – Telecommunication had a \$6,139 deficit balance, while the Enterprise Funds, Cable TV and Telephone had \$60,464 and \$20,252 deficit balances, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$4,645 during the year ended June 30, 2010.

NOTE 11 – CONTINGENT LIABILITY

The City has been named in a law suit relating to its telecommunications utility. The total amount of the suit is \$130,000. The action has been tried before a judge. No ruling has been issued as of the date of the audit report. Legal counsel is unable to evaluate the outcome of the suit. Since the amount of the contingency arising from the claim cannot be reasonably estimated, no provision has been made.

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 25, 2011 which is the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Reinbeck
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 585,076	\$ -
Tax increment financing collections	348,858	-
Other city tax	6,370	-
Licenses and permits	5,861	-
Use of money and property	19,037	10
Intergovernmental	218,829	-
Charges for service	113,259	1,265,680
Special assessments	2,627	-
Miscellaneous	213,149	20,366
Total receipts	<u>\$ 1,513,066</u>	<u>\$ 1,286,056</u>
Disbursements:		
Public safety	\$ 147,810	\$ -
Public works	455,224	-
Health and social services	374	-
Culture and recreation	301,141	-
Community and economic development	57,173	-
General government	88,710	-
Debt service	526,130	-
Capital projects	301,866	-
Business type activities	-	1,429,856
Total disbursements	<u>\$ 1,878,428</u>	<u>\$ 1,429,856</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -365,362	\$ -143,800
Other financing sources, net	413,375	86,625
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 48,013	\$ -57,175
Balances beginning of year	402,043	295,261
Balances end of year	<u>\$ 450,056</u>	<u>\$ 238,086</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final	Final to Net Variance
	Original			
\$ 585,076	\$ 569,539	\$ 569,539	\$ 15,537	
348,858	375,000	375,000	-26,142	
6,370	12,944	12,944	-6,574	
5,861	3,400	3,400	2,461	
19,047	31,755	31,755	-12,708	
218,829	211,252	211,252	7,577	
1,378,939	1,542,190	1,542,190	-163,251	
2,627	2,818	2,818	-191	
233,515	37,690	537,690	-304,175	
\$ 2,799,122	\$ 2,786,588	\$ 3,286,588	\$ -487,466	
\$ 147,810	\$ 152,480	\$ 152,480	\$ 4,670	
455,224	279,772	460,772	5,548	
374	4,650	4,650	4,276	
301,141	280,809	300,809	-332	
57,173	404,242	604,242	547,069	
88,710	78,018	93,018	4,308	
526,130	237,742	237,742	-288,388	
301,866	-	-	-301,866	
1,429,856	1,330,219	1,445,219	15,363	
\$ 3,308,284	\$ 2,767,932	\$ 3,298,932	\$ -9,352	
\$ -509,162	\$ 18,656	\$ -12,344	\$ -496,818	
500,000	-	-	500,000	
\$ -9,162	\$ 18,656	\$ -12,344	\$ 3,182	
697,304	521,046	521,046	176,258	
\$ 688,142	\$ 539,702	\$ 508,702	\$ 179,440	

City of Reinbeck

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$500,000 and disbursements by \$531,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the culture and recreation, debt service and capital project functions.

Other Supplementary Information

City of Reinbeck

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Non-major Governmental Funds**

As of and for the year ended June 30, 2010

	Special Revenue		
	Emergency	I-Jobs	Special Assessment Curb & Gutter
Receipts:			
Property tax	\$ 102	\$ -	\$ -
Intergovernmental	-	7,648	-
Special assessments	-	-	2,627
Miscellaneous	-	-	-
Total receipts	\$ 102	\$ 7,648	\$ 2,627
Disbursements:			
Capital projects	\$ -	\$ -	\$ -
Total disbursements	\$ -	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 102	\$ 7,648	\$ 2,627
Other financing uses:			
Loan proceeds	\$ -	\$ -	\$ -
Operating transfers in (out)	-	-	-
Net change in cash balances	\$ 102	\$ 7,648	\$ 2,627
Cash balances beginning of year	-	-	-
Cash balances end of year	\$ 102	\$ 7,648	\$ 2,627
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 102	\$ 7,648	\$ 2,627
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 102	\$ 7,648	\$ 2,627

See accompanying independent auditor's report.

Capital Project				
Foundation	Tele-Communications	Vehicle	Total	
\$ -	\$ -	\$ -	\$	102
-	-	-		7,648
-	-	-		2,627
4,925	-	-		4,925
\$ 4,925	\$ -	\$ -	\$	15,302
\$ -	\$ 6,139	\$ -	\$	6,139
\$ -	\$ 6,139	\$ -	\$	6,139
\$ 4,925	\$ -6,139	\$ -	\$	9,163
\$ -	\$ -	\$ 113,375	\$	113,375
-	-	-113,375		-113,375
\$ 4,925	\$ -6,139	\$ -	\$	9,163
-	-	-		-
\$ 4,925	\$ -6,139	\$ -	\$	9,163
\$ -	\$ -	\$ -	\$	10,377
4,925	-6,139	-		-1,214
\$ 4,925	\$ -6,139	\$ -	\$	9,163

City of Reinbeck
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Telecommunications system	May 1, 2001	3.9-4.7%	\$995,000
Essential corporate purpose	Jan 23, 2003	1.75-4.0%	\$1,595,000
Daycare loan	June 1, 2010	4.00%	\$300,000
Vehicle loan	June 1, 2010	4.25%	\$200,000
Revenue note:			
Telecommunications revenue	Sept 1, 2001	4.4-5.2%	\$1,810,000
Sewer revenue (SRF Loan)	Sept 13, 2004	3.0%	\$2,970,000
Urban renewal tax Increment revenue – Pool	July 17, 2006	4.75%	\$1,300,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$255,000	\$-	\$125,000	\$130,000	\$11,860	\$-
670,000	-	155,000	515,000	25,603	-
-	300,000	-	300,000	-	-
-	200,000	-	200,000	-	-
\$925,000	\$500,000	\$280,000	\$1,145,000	\$37,463	\$-
\$1,125,000	\$-	\$135,000	\$990,000	\$56,798	\$-
2,507,000	-	124,000	2,383,000	75,210	-
333,705	-	194,346	139,359	13,721	-
\$3,965,705	\$-	\$453,346	\$3,512,359	\$145,729	\$-
\$4,890,705	\$500,000	\$733,346	\$4,657,359	\$183,192	\$-

City of Reinbeck

Note Maturities

June 30, 2010

Year Ending June 30,	General Obligation Capital Loan Notes							
	Essential Corporate Purpose		Telecommunications System		Daycare Loan		Vehicle Loan	
	Issued Jan 23, 2003		Issued May 1, 2001		Issued Sept 1, 2001		Issued June 1, 2010	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2011	3.80%	\$165,000	4.70%	\$130,000	4.00%	\$75,000	4.25%	\$50,000
2012	3.90%	170,000	-	-	4.00%	75,000	4.25%	50,000
2013	4.00%	180,000	-	-	4.00%	75,000	4.25%	50,000
2014	-	-	-	-	4.00%	75,000	4.25%	50,000
		<u>\$515,000</u>		<u>\$130,000</u>		<u>\$300,000</u>		<u>\$200,000</u>

Revenue Notes

Year Ending June 30,	Urban Renewal Tax Increment						Total
	Sewer Revenue		Revenue Bond – Pool		Telecommunications Revenue		
	Issued Sept 13, 2004		Issued July 17, 2006		Issued Sept 1, 2001		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2011	3.0%	\$128,000	4.75%	\$139,359	4.95	\$145,000	\$832,359
2012	3.0%	132,000	-	-	5.00	150,000	577,000
2013	3.0%	136,000	-	-	5.05	160,000	601,000
2014	3.0%	140,000	-	-	5.10	170,000	435,000
2015	3.0%	144,000	-	-	5.15	180,000	324,000
2016	3.0%	149,000	-	-	5.20	185,000	334,000
2017	3.0%	153,000	-	-	-	-	153,000
2018	3.0%	158,000	-	-	-	-	158,000
2019	3.0%	162,000	-	-	-	-	162,000
2020	3.0%	167,000	-	-	-	-	167,000
2021	3.0%	172,000	-	-	-	-	172,000
2022	3.0%	177,000	-	-	-	-	177,000
2023	3.0%	183,000	-	-	-	-	183,000
2024	3.0%	188,000	-	-	-	-	188,000
2025	3.0%	194,000	-	-	-	-	194,000
		<u>\$2,383,000</u>		<u>\$139,359</u>		<u>\$990,000</u>	<u>\$4,657,359</u>

See accompanying independent auditor's report.

City of Reinbeck

**Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds**

For the Last Six Years

	2010 Audited	2009 Unaudited	2008 Unaudited
Receipts:			
Property tax	\$ 585,076	\$ 612,938	\$ 649,723
Tax increment financing collection	348,858	480,484	393,756
Other city tax	6,370	-	-
Licenses and permits	5,861	11,316	9,851
Use of money and property	19,037	35,669	40,009
Intergovernmental	218,829	189,477	203,004
Charges for service	113,259	101,483	130,315
Special assessments	2,627	2,409	2,478
Miscellaneous	213,149	95,966	191,131
Total	\$ 1,513,066	\$ 1,529,742	\$ 1,620,267
Disbursements:			
Operating:			
Public safety	\$ 147,810	\$ 365,357	\$ 178,367
Public works	455,224	281,124	335,208
Health and social services	374	3,448	5,037
Culture and recreation	301,141	358,382	329,792
Community and economic development	57,173	65,227	22,133
General government	88,710	109,381	105,910
Debt service	526,130	316,101	323,413
Capital projects	301,866	363,902	337,159
Total	\$ 1,878,428	\$ 1,862,922	\$ 1,637,019

See accompanying independent auditor's report.

	2007 Audited	2006 Unaudited	2005 Audited
\$	590,734	\$ 546,003	\$ 561,052
	407,204	382,991	350,402
	22,726	21,858	22,531
	4,483	4,185	4,301
	33,939	33,530	23,559
	341,151	175,085	217,903
	142,977	96,057	4,038
	2,705	4,013	4,346
	106,067	347,173	97,580
\$	1,651,986	\$ 1,610,895	\$ 1,285,712

\$	158,833	\$ 127,204	\$ 187,490
	251,739	256,520	272,893
	2,323	6,635	5,474
	289,809	251,639	234,317
	64,397	7,580	87,771
	83,282	107,460	105,876
	441,828	314,337	316,422
	1,265,561	949,291	10,574
\$	2,557,772	\$ 2,020,666	\$ 1,220,817

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated April 25, 2011. My report expressed qualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Reinbeck's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Reinbeck's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Reinbeck's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Reinbeck's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-10, II-B-10, II-C-10, I-D-10 and II-E-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-F-10 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Reinbeck's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Reinbeck's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Reinbeck's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Reinbeck and other parties to whom the City of Reinbeck may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Reinbeck during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

April 25, 2011

City of Reinbeck
Schedule of Findings
Year ended June 30, 2010

Part I – Summary of the Independent Auditor's Results:

- a) An unqualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) The City of Reinbeck was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2010.

City of Reinbeck

Schedule of Findings

Year ended June 30, 2010

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – One important element in designing an internal control structure that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another.

During my review of the City's control procedures, I noted that one person has control over one or more of the following areas:

1. Accounting system-performance of all general accounting functions and custody of assets.
2. Receipts-journalizing, posting and reconciling.
3. Disbursements-check writing, signing, posting and reconciling.
4. Payroll-preparation and distribution.
5. Utilities-billings and recording.
6. Computer system functions-data entry, error correction, on-line edit and update.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response – We are currently reviewing operating procedures and duty assignments to obtain appropriate segregation of duties and maximize internal controls.

Conclusion – Response accepted.

II-B-10 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

1. Aid in training additional or replacement personnel and act as a quick reference for staff members and officials.
2. Helps streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.
3. Saves supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.
4. Helps to preserve the key elements in the government's internal control structure.
5. Increases effectiveness and efficiency in your organization.

Response – We have started adopting written policies and procedures and will continue to approve written policies and procedures in the future.

Conclusion – Response accepted.

- II-C-10 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. Utility deposit slips did not itemize cash and checks deposited and the billing register contained only the date of entry and not the actual date payment was received.

Not all monthly delinquent account listings were kept on file, delinquent account balances were not always carried forward to the next billing cycle and penalties on delinquent accounts were not always carried forward as required by City ordinance. Also, the City's computer software package did not record individual account corrections and adjustments as the changes were made.

Recommendation – Procedures should be established to maintain a delinquent listing and reconcile utility billings, collections and delinquencies for each billing cycle. The Council should review the reconciliation and monitor delinquencies. Deposit slips should reflect names of paying customers in the absence of a daily cash sheet. The billing register should contain the date actually paid which will aid in reconciling collections to the bank deposit.

Delinquent accounts and applicable penalties should be carried forward to ensure proper billing and compliance with City ordinance. A record of file maintenance transactions should be maintained.

Response – Currently we are implementing a new software package for utility billing, collection and delinquent reconciliation procedures, which will address all of the above recommendations.

Conclusion – Response accepted.

- II-D-10 Transfers – The City transferred money to and from various funds and accounts throughout the year. These transfers were not always authorized or approved by the City Council.

Recommendation – The City Council should approve all fund and account transfers prior to actual transfer. The approval, related amounts and purpose of the transfer, should be documented as part of the minutes record.

Response – All fund and account transfers will be approved by the City Council and documented in the minutes record prior to the actual transfer.

Conclusion – Response accepted.

- II-E-10 Financial Reporting – During the audit, I identified material receipts, disbursements and transfers coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts, disbursements and transfers.

Response – The City clerk will properly code revenues and expenditures in the future.

Conclusion – Response accepted.

- II-F-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the City's financial reporting process. The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

City of Reinbeck
Schedule of Findings
Year ended June 30, 2010

Part III: Other Findings Related to Statutory Reporting:

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the culture and recreation, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budgeted should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-10 Questionable Disbursements – I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larsen Trustworthy Hardware Mayor Lon Larsen's father	Tools, supplies & miscellaneous	\$1,169
Larsen Plumbing & Heating Mayor Lon Larsen, Owner	Contract labor	\$3,476

In accordance with Chapter 362.5(10) of the Code of Iowa, the materials and supplies purchased from Moeller and Walter Lumber does not appear to represent a conflict of interest since Ron Petersen is only an employee of the company.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council went into closed session on December 7, 2009. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes as required.

Conclusion – Response accepted.

III-G-10 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-10 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

III-I-10 Financial Condition – The Capital Projects - Telecommunication account had a deficit balance of \$6,139 and the Enterprise Fund – Cable TV and Telephone accounts had deficit balances of \$60,464 and \$20,252, respectively, at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the accounts to a sound financial position.

Response – We are working on eliminating these deficits.

Conclusion – Response accepted.

III-J-10 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.